

# Senate Study Bill 3172 - Introduced

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
AGRICULTURE BILL BY  
CHAIRPERSON SENG)

## A BILL FOR

1 An Act allowing the holders of interests in certain entities  
2 eligible to hold agricultural land to be elected as trustees  
3 of drainage or levee districts.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 468.506, subsection 3, Code 2014, is  
2 amended by striking the subsection and inserting in lieu  
3 thereof the following:

4 3. An individual who has a legal or equitable interest in  
5 an entity that holds an interest in agricultural land located  
6 in the election district for which the trustee is elected,  
7 including as a bona fide owner. In addition, all of the  
8 following must apply:

9 a. The entity must be a general partnership formed under  
10 section 486A.202 or a person who holds the agricultural land  
11 under chapter 9H as a family farm corporation, authorized  
12 corporation, family farm limited liability company, authorized  
13 limited liability company, family farm limited partnership,  
14 limited partnership, family farm unincorporated nonprofit  
15 association, authorized unincorporated nonprofit association,  
16 family trust, or authorized trust.

17 b. The individual must hold the legal or equitable interest  
18 in the entity described in paragraph "a" as a partner in the  
19 general partnership, shareholder in the corporation, member in  
20 the limited liability company, general or limited partner in  
21 the limited partnership, member in the unincorporated nonprofit  
22 association, or beneficiary in the trust.

23 c. The individual must be a resident of the county in  
24 which the election district is located or of a county that is  
25 contiguous to or corners on that county.

26 Sec. 2. Section 468.506, subsection 4, Code 2014, is amended  
27 to read as follows:

28 4. a. In a A bona fide owner of benefited land in a  
29 drainage or levee district in which is a levee and drainage  
30 district which has eighty-five percent of its acreage is  
31 situated within the corporate limits of a city and has been  
32 under the control of a city under subchapter II, part 3, ~~a bona~~  
33 ~~fide owner of benefited land in the district.~~

34 b. (1) If For nonagricultural land, if the bona fide  
35 owner is a family farm corporation as defined by section 9H.1,

1 ~~subsection 9,~~ a business corporation organized and existing  
2 under chapter 490 or 491, or a partnership, a stockholder or  
3 officer authorized by the corporation or a general partner may  
4 be elected as a trustee of the district.

5 (2) For agricultural land, if the bona fide owner is an  
6 entity described in subsection 3, paragraph "a", an individual  
7 holding a legal or equitable interest in that entity may be  
8 elected as trustee.

9

#### EXPLANATION

10 The inclusion of this explanation does not constitute agreement with  
11 the explanation's substance by the members of the general assembly.

12 BILL'S PROVISIONS. This bill relates to the election of  
13 an individual as a trustee to a board managing a drainage or  
14 levee district (district) (Code section 468.506). It provides  
15 for the election of an individual who has a legal or equitable  
16 interest in an entity allowed to hold agricultural land in  
17 this state, including under Iowa's corporate farming law  
18 (Code chapter 9H). The bill requires that the individual be a  
19 resident of a county where the election district is located or  
20 a bordering county, unless the agricultural land is located in  
21 a district in which 85 percent of its territory is situated  
22 within the corporate limits of a city and the city also manages  
23 the district.

24 CURRENT LAW — GOVERNANCE. A district is established and  
25 managed by a county's board of supervisors, or joint board of  
26 supervisors if the district crosses county borders. The board  
27 may transfer jurisdiction to manage the district to another  
28 governing body, including a city (Code chapter 468, subchapter  
29 II, part 3), or a board of elected trustees (Code chapter 468,  
30 subchapter III).

31 CURRENT LAW — ELIGIBILITY OF TRUSTEES. In order to hold  
32 office as a trustee, an individual must be 18 years of age and a  
33 United States citizen (Code section 468.506). If the district  
34 includes agricultural land, the individual must satisfy two  
35 additional conditions: (1) be an owner of such land and

1 (2) reside in the county in which the election district is  
2 located or a bordering county. Two exceptions apply which  
3 allow an individual to be elected as a trustee even though the  
4 individual is not the owner of the agricultural land. The  
5 first exception applies to a shareholder of a family farm  
6 corporation who must still reside in the county where the  
7 election district is situated or a bordering county. The  
8 second exception applies when 85 percent of the district's  
9 territory is situated within the corporate limits of a city  
10 that also manages the district. In that case, the individual  
11 may be a shareholder of a family farm corporation or a partner  
12 in a general partnership. In this case, there is no residency  
13 requirement.

14     CURRENT LAW — PERSONS ELIGIBLE TO HOLD AGRICULTURAL LAND.  
15 Code chapter 9H does not restrict a general partnership from  
16 holding any number of acres of agricultural land. The Code  
17 chapter does restrict a number of other entities from holding  
18 such land, including corporations, limited liability companies,  
19 trusts, and nonprofit associations (Code sections 9H.1 and  
20 9H.4), and limited partnerships, including limited liability  
21 limited partnerships (Code sections 9H.1 and 9H.5). A family  
22 farm entity (family farm corporation, family farm limited  
23 liability company, family farm trust, or family farm nonprofit  
24 association) must be founded for farming, its interest holders  
25 must be natural persons or fiduciaries, a majority of its  
26 interest holders must be related to each other as family  
27 members, and 60 percent of its gross revenue must come from  
28 farming (Code section 9H.1). A family farm entity may own any  
29 number of acres of agricultural land. An authorized entity  
30 (authorized farm corporation, authorized farm limited liability  
31 company, authorized farm trust, or authorized farm nonprofit  
32 association) cannot include more than 25 interest holders who  
33 are individuals, fiduciaries, or nonprofit corporations (Code  
34 section 9H.1). An interest holder in an authorized entity  
35 or limited partnership cannot belong to multiple authorized

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1 entities or limited partnerships or hold more than 1,500 acres  
2 of agricultural land.